

DUALISM AND DISCONTINUITY IN INDUSTRIAL SOCIETIES

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CAMBRIDGE UNIVERSITY PRESS

CAMBRIDGE

LONDON NEW YORK NEW ROCHELLE
MELBOURNE SYDNEY

Published by the Press Syndicate of the University of Cambridge
The Pitt Building, Trumpington Street, Cambridge CB2 1RP
32 East 57th Street, New York, NY 10022, USA
296 Beaconsfield Parade, Middle Park, Melbourne 3206, Australia

© Cambridge University Press 1980

First published 1980

Typeset by The Composing Room of Michigan, Inc., Grand Rapids, Mich.

Library of Congress Cataloging in Publication Data

Berger, Suzanne.

Dualism and discontinuity in industrial
societies.

Bibliography: p.

Includes index.

1. Industrialization – Addresses, essays,
lectures. I. Piore, Michael J., joint author.

II. Title.

HD2326.B46 338.6 79–25172

ISBN 0 521 23134 5

Transferred to digital printing 2003

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OVERVIEW

The two paradigms

Contemporary American economics and political science research have in the main developed out of two distinct but related paradigms. The first one views human behavior and social outcomes as explicable in terms of efforts of individuals to maximize their personal well-being in a competitive environment. Differences in individual outcomes are then explained by differences either in personal preferences or in initial endowments. These in turn are viewed as distributed along a continuum which is reflected in, and used to explain, the distribution of income, power, social status, consumption, and other variables. The second paradigm, that of modernization, attempts to describe the process through which market rationality – and the social structures and political institutions it determines – gain ascendancy. It recognizes the existence of early historical periods in which different behavioral patterns prevailed and explains their disappearance in the process of modernization. The expansion of the market, the spread of communication and of transportation, mass education, and the development of the modern state diffuse a set of rational, maximizing behaviors that are essentially the same for all members of society. The competitive market plays a more or less critical role in various modernization theories. But they all see rationalizing behavior as the force that propels modernization.

Our perspective departs from that inherent in these paradigms at four critical junctures. The first departure from the models dominant in our disciplines arises because they do not systematically account for discontinuities in the behavior of individuals or social classes or in their experiences within the system. To put it simply, the models assume that the rational behavior of individuals maximizing their self-interest generates social and economic structures in which distinctions among individuals and among classes of individuals are con-

tinuous. Whether persons are arrayed by income categories or grouped by status, the boundaries or “cutoffs” between one category and the next are essentially arbitrary and a matter of convenience and do not reflect significant real discontinuities. Between the bottom individuals in the ninth decile of an income distribution and the top individuals in the tenth, between the statuses of persons ranked high, medium, and low on a prestige scale, the transitions are smooth and continuous. At the same time, the dominant tendencies of industrial societies – market rationality, modernization – work to diffuse the same socioeconomic structures and, in so doing, integrate all social groupings and economic activities into a society that will be homogeneous in character.

In trying to work on this set of assumptions, each of us had come up against difficulties that threw into question the usefulness of the original paradigm. The societies we were studying seemed far “lumpier” than could be accommodated by any models based on the premise that social and economic structures are generated by continuous variables. The market did not seem to allocate persons and resources, nor did the spread of communication work to diffuse belief, motive, and social structures in the sort of continuous array which either the competition paradigm or the modernization paradigm suggest. The groups we were examining appeared to differ from each other structurally. By this we mean that various segments of society organize around different rules, processes, and institutions that produce different systems of incentives and disincentives to which individuals respond. These “lumps” or social segments are coherent wholes that derive their unity both from the consistency of their internal rules and organization and from the stability of their relationships with other parts of society.

When we began, we called this pattern of social and economic segmentation *dualism*, since the notion evoked both the autonomy of each sector and the radical discontinuities that we were discovering. As we proceeded, it became clear that the significance of dualism is not that a society is divided into two autonomous and discontinuous segments but that *a society is divided segmentally and not continuously*. Whether there are two or more such lumps is not central to our conception, though the numbers of segments cannot be multiplied indefinitely without restoring the continuum and returning to the paradigms we have rejected.

The second departure from conventional assumptions arose from the first. Once radical discontinuities are seen as integral features of advanced industrial societies, then the “dualism” that was thought to characterize underdevelopment becomes a point of similarity rather

than a distinguishing difference. We thus found ourselves analyzing developed and developing societies in the same frame of reference and were increasingly struck by the similarities between them. For example, whatever the differences – in origin, personnel, and politics – the traditional sector in Italy and the informal sector in Colombia seem to have much in common, and in the former as in the latter case, they perform functions that are critical to the modern sector.

The third basic problem which we encountered as we tried to carry out research on the assumptions of market rationality and modernization centers on the convergence these paradigms appear to predict for all industrial societies. The market rationale and the process through which it imposes itself upon socioeconomic structures and politics should bring industrial countries increasingly to resemble each other and in their similarities to contrast more and more sharply with their own historic antecedents. But if industrialization and modernization do not impose a single behavioral pattern upon society, then the rationale for expecting the same society to emerge in all industrial nations disappears. Since our empirical studies suggested that the number of coherent social and economic segments does vary from society to society, and that this diversity is significant and durable, we found it increasingly less plausible to regard these variations as mere way stations to ultimate convergence.

Finally, in the models of market rationality and modernization, the characteristics of individuals, on the one hand, and their choices and decisions, on the other, determine where individuals will be located in the social structures of modern societies. In contrast, we found that by starting from the premise of groupings that are institutionally defined, we could analyze individual behavior as the response to rules and incentives that develop in different segments of society. Institutions offer rewards and impose constraints upon individuals' actions. These operate in turn to promote certain behaviors and foreclose others. The result is that individuals' choices, attitudes, and behaviors vary across the segments of society. Indeed, if we start from institutions, only a minimal set of assumptions about individuals is required: that the persons found in any particular social and economic universe have at least those predispositions and capabilities that make it possible for them to function there. They may also be capable of operating well in other social segments, and there is no reason to assume a unique mesh between any particular individual's characteristics and his or her social and economic position. Most individuals could probably fit into society at least several different ways. Viewed from this perspective, segmentation and social mobility are in no way incompatible, for where individuals find themselves in soci-

ety is only minimally accounted for by particular endowments of intelligence, initiative, and appropriate skills.

This perspective suggests that the requirements and constraints of particular institutions are not usually so great as to demand distinctive qualities from members or so compelling as to suffocate in members all predispositions and capacities for participation in some other segment of society. In brief, we can account for social phenomena better by assuming that institutions determine individual responses than by treating social and economic structures as the product of individual behavior. We can account better for individual behavior by looking at the incentives and constraints that prevail in given social groups and by assuming great human plasticity and a wide range of individual possibilities than by starting with a view in which the characteristics of individuals determine their social and economic place.

Explaining segmentation

How can the patterns of segmentation that appear in various industrial societies be explained? Two bodies of theory, by focusing centrally on the discontinuities and heterogeneity of society, seemed most promising for unraveling our puzzle: the literature on economic dualism and Marxist theories of social class. In its earliest version (Boeke), writing on economic dualism conceptualized modern and traditional systems as separate and parallel within a single society: the result of an intrusive modern economic sector which failed to transform the rest of society. Other versions have interpreted dualism as involving an internal restructuring of institutions which maintains a differentiation between a modern sector with advanced technology and capital-intensive enterprise and a traditional sector which is more labor intensive, with smaller enterprise size, local rather than imported technology, and lack of formal education entry requirements. Another version sees the two sectors as the creation of the market. This occurs through “vicious circles” and “backwash effects” that tend to direct profits and investment into a single group of firms which become more and more differentiated from the “backward firms” in factor proportions, market power, wage rates, and employee characteristics. The other sector, starved for resources, is “sickly” and “unhealthy” but never quite dies out.

Some have suggested that the phenomena on which the dualism case is built only show that the process of homogenization has not yet proceeded far enough to integrate society, but that this process will eventually produce the kind of societies that the modernization and market paradigms predict. Yet the evidence from both developed and

developing countries suggests the persistence, not the disappearance, of the traditional or informal sector. In fact, much of the traditional sector in developing countries is of recent origin. Even if we argue, therefore, that a single process is working its way through each of these societies, it is not at all clear that this process would in the near future – or perhaps ever – complete the transformation and integration of society. Rather, the evidence from both developing and developed societies suggests that the processes of industrialization and modernization might generate kinds of heterogeneity that would be recast in the old molds.

The notion that industrialization creates forms of social differentiation that are radically distinct from each other and in conflict rather than related by a progressive integration into a seamless social system is at the heart of Marxist theories of modern society. These theories, too, present the advantage – from our perspective – of accounting for individual behavior in terms of institutional location rather than personal qualities, skills, and aptitudes. But we had two difficulties with the conventional Marxist framework. First, as we tried to view the patterns of segmentation we were studying through the lens of class, we found that a significant part of the phenomena we sought to explain fell outside the range of vision. The differentiations within the working class and within the class of capitalists, though acknowledged by Marxists, are not central to their explanatory scheme and, in fact, often must be discussed as problems of “false consciousness” or as transitory divisions that will disappear with the full maturation of capitalism. The relevance of the Marxist enterprise to our own will be discussed later in the volume (see Chapter 5); here we wish simply to note the inadequacy of categories generated by an analysis that grounds the critical social groupings in the dominant mode of production for illuminating the phenomena we set out to explain.

Our second difficulty with the Marxist framework is that it, like the conventional paradigm, seems to imply a convergence of social structures with progressive industrialization whereas, as we began to compare the results of our own research, we were compelled to recognize significant variation among industrial countries and parallels between so-called underdeveloped and developed countries. The notion of a single prototype toward which the process of industrialization inevitably works seemed impossible to sustain.

Views of industrialization

Once we recognized as significant the diverse patterns of segmentation within given industrial societies, the great variations among

these societies, and the similarities between underdeveloped and developed societies on precisely those dimensions which we once thought measured development, other questions arose: What remains of the notions of industrialization and modernization? In what sense is it meaningful to think of industrial society at all?

One answer is that these diverse socioeconomic structures are a response to a single set of recurrent problems. In this view, industrialization may be defined in terms of the characteristic problems which it poses for the social structure. To adopt this approach, it is not necessary to have an exhaustive list of what these problems are; in fact, the subsequent essays contain only partial mappings and the lists of problems for each of the essays only partly overlap. Two problems are central to the essays in this volume: political instability and economic uncertainty; the second may be used to illustrate the approach. Instability can be seen as a fundamental problem in all market economies. Piore thus argues that uncertainty, and the way it is handled, is central to the distinction between capital and labor as factors of production. The distribution, or rather, redistribution, of that uncertainty is the underlying issue in the labor market institutions which emerge in response to waves of worker unrest and which appear as the proximate cause of duality in the labor markets of advanced economies.

The ways in which this common problem has been resolved in various societies have produced a range of different socioeconomic structures. The sharpest contrast emerges between the case of Bogotá, which Lisa Peattie studied, and the more advanced industrial nations. In the former, socioeconomic structures reflect the efforts of various groups to build shelters for themselves through local politics and economic actions in a context of overlapping neighborhood economies and clientelist political networks. In the latter, the distribution of insecurity or uncertainty is the subject of national politics. Politics in these countries reflects, reinforces, and generalizes the shelters against uncertainty that groups have conquered and occupied. The political support for such institutions tends, then, to reshape economy and society.

But the similarities among the arrangements in the advanced countries emerge only by contrast with Bogotá. When industrial societies are compared, sharp differences emerge; for example, Italy, where the structures that distribute economic uncertainty rely heavily on a distinction between small and large firms; France, where the structures are dependent on the use of temporary help and migrant workers in large enterprises; and the United States, where both a decentralized pattern of union-management relations and the role of certain ascrip-

tive groups, notably blacks and their relative powerlessness, come into play. These variations are the product of different cultures, different histories, and of critical events that have shaped in distinctive molds the paths of given societies. But there remains in common the single theme to which the variations all respond: in this case, uncertainty.

The *common problems* approach to the definition of industrial society is a kind of minimalist strategy. A more fundamental approach would attempt not only to identify the problems to which the structures of industrial society respond, but also to specify the process which generates those problems. That process, rather than the problems, would then become the defining characteristic of industrialism.

Piore in Chapter 3 does attempt such a conceptualization. The basic process in terms of which industrial society is defined in that essay is the *division of labor*, understood as the fragmentation or the splitting-up of work tasks and productive organizations into increasingly narrower and more distinct components and then the recombination of those components into new, but also more integrated, physical and organizational entities. What fuels this process is pressure to increase output and to produce more goods and services with limited resources. The result of the division of labor is that the process of production becomes more and more specialized, the degree of specialization being limited by the extent of the market.

Instability, viewed from this perspective, is a problem for all industrial societies precisely because it limits the market. The benefits in productive efficiency generated by the division of labor can be appropriated by society only if the specialized productive resources are fully employed. If this is not possible, and the employment of those resources fluctuates widely, then the gains from specialization are dissipated in sustaining the specialized resources in their periods of unemployment, and the productive unit could do better by using a less highly articulated division of labor. This effect tends to lead to a separation of the market for any commodity into a stable component which is met through a relatively extensive division of labor, utilizing highly specialized resources, and an unstable component, where production involves a less highly articulated division of labor, utilizing capital and labor which are less specialized and consequently susceptible to being shifted with fluctuations in demand to other activities.

Thus, we can conceive of the relationship between instability and industrial society in two distinct ways. In one of these, instability and its distribution is a common problem of industrial society and tends to lead to discontinuities in the social structure as groups or as social

classes attempt to build shelters against its impact. In the second conception, industrial society is defined by the division of labor, and instability is a variable affecting that process. This view also leads us to expect discontinuities in the socioeconomic structure; these discontinuities are associated with pressures in the system toward economic efficiency and the attempt of producers to separate out a relatively stable and predictable component of demand (where production can utilize the most advanced division of labor) from the fluctuating component of demand, which can be met profitably only with less specialized resources. What the theoretical advantages and difficulties are of the two approaches will be considered in Piore's essay. Here we intend only to signal the presence in the volume of two alternative ways of conceiving the generation of the issues which present themselves on the agenda of industrial societies.

Comparing industrial societies

What is common to industrial societies are a set of problems that arise from their technologies; the *differences* among industrial societies are the product of the process through which those problems are resolved. That process is ultimately a political one. In every society what is possible, likely, and desirable is determined by the availability of particular resources. These are best imagined as the sum of past values, choices, practices, and institutions out of which can be constructed solutions to the problems of the present. This dependence of the present upon the past has a number of consequences.

The first is that the differences among industrial societies are as significant as their similarities. However powerful the constraints and incentives inherent in the processes and structures of technological change and economic growth, they do not determine a unique set of social, political, or economic arrangements in industrial countries. A very wide range of possible solutions and arrangements have been viable over long periods, and no convergence is in process that will produce a single modal type of industrial society. To show how much the differences matter would require a systematic examination of the impact of various solutions on groups in different societies. There has in fact been substantial research in the past few years on the impact of various solutions to the common problems of industrial societies. It was a foundation program designed to promote such research that financed the work presented in this volume. But however suggestive the idea of functionally equivalent solutions to common problems, it suffers from the same weakness as the modernization paradigm,

namely, the notion that at core there is a single type of industrial society and that differences, like those between France and the United States, for example, are less significant and less durable than the similarities. On this assumption, the search for the optimal solution for the common problems is premised. But the nationally specific resources that produce diversity among industrial societies also limit the extent to which solutions worked out in one society might be imported into another. However much flexibility Italy derives from using the traditional sector as a buffer to absorb the economic fluctuations and uncertainties of capitalism, this "solution" is not available to societies lacking a past in which preindustrial groups coalesced around specific constellations of values, social alliances, and institutions into a traditional class of small property holders.

Though the solutions worked out in different societies appear functionally equivalent – in the sense that they seem to solve the same problem – in fact, this equivalence can in no way be prejudged, for solutions may be significantly different in their consequences for the groups that bear the burden and those that reap the rewards of a given outcome. For example, though the Italian traditional sector seems to perform many of the same functions for the economy and polity as the informal sector in Latin American countries, still the ways in which these functions are carried out vary significantly because of the differences among the groups that in Italy inhabit the traditional sector and in Latin America populate the informal sector. In the former case, the owners and workers of the traditional sector benefit from the substantial prestige and political power with which feudalism invested paternalist exercise of power and which early capitalism bestowed on entrepreneurship and private property. The traditional sector in Western Europe draws both on anticapitalist values and on political and social alliances formed in struggles with the feudal regime. From the heritage of these values and from the support of their powerful allies, groups in the traditional sector derive far more prestige than their "functional equivalents" in the Latin American case can command. The solutions represented in different patterns of segmentation thus embody different distributions of risk, influence, and prestige. These solutions also may be better or worse responses to a problem: unemployment in the United States and the use of the traditional sector in Italy differ in their contribution to the problems of inflation and uncertainty.

Finally, the existence of different solutions in different societies confronted by the same problems implies the significance of choice. How national resources are brought to bear on current problems depends in this sense on politics. Whether the dirty, insecure jobs of

society are turned over to foreigners, national minorities, or machines does matter, since in each case a different structure of pressures, values, and rewards will shape outcomes for those involved. Even though all of these choices are not available to each society, at least more than one might be.

Implications

As our analysis of industrialism points to the possibility and significance of choice, the normative implications of the essays should be sketched out. These are hardly unambiguous, for they are linked to our focus on the variety of arrangements conceivable in different societies for meeting the same social needs. On the one hand, this perspective brings to the fore the range of alternative resolutions of problems that constrain and limit the satisfaction of human needs in industrial societies. In so doing, it seems to promise an escape from the determinism inherent in the conventional market and modernization paradigms. It would also appear to admit both greater optimism about the impact of social arrangements on individual prospects and a framework for more sophisticated normative judgments than the conventional reliance upon single valued measures of welfare such as income or socioeconomic status.

These promises are in no sense realized in the essays which follow. To begin to do so would require defining the range of possible alternatives; explaining what determines where societies fall in that range; and discovering what they might do to change location. The essays do attempt to account for international variation in the societies we have observed by reference to specific historical experiences out of which industrial institutions grew, cultural context, and particular kinds of politics. This kind of answer, if extended to explain the range of what is possible, leads to a substitution of a cultural and historical determinism for the industrial determinism which we have attempted to escape. To the extent that some extrapolation of this kind is implicit in the logic of the essays, they seem to have conservative implications. But the two questions are in fact quite distinct. To explain why the socioeconomic structure of France differs from Italy or the United States, does not settle the issue of whether alternative structures are possible in France, Italy, or America.

But another problem arises from the very variety in human experiences that we observe in industrial societies. For if this diversity suggests the possibility of change, it makes it very difficult to decide what kind of changes would, in what degree, constitute improvements. We have argued that individuals in industrial societies find

themselves, not ranged along a continuum of income or status, but placed within socially structured segments that constitute the settings within which they conduct their affairs. Patterns of behavior develop in adjustment to these settings, and meaning and value come to attach to the behavior and the settings themselves. Since the quality of human experience varies greatly across the segments into which the society and the economy divide, and since it varies critically in ways which are not captured by a single variable like income, life experiences seem virtually incommensurate. Is the self-employed street vendor of Bogotá better or worse off than the industrial worker on the Ford assembly line in Detroit? It is difficult enough to compare the two, let alone decide who is better off.

Does this relativism about the values, attitudes, and expectations that develop in various segments of society oblige us to abandon the search for a normative standard against which the merit of different social arrangements might be held? We believe not: In our perspective, the variations in human behavior and values are explained as responses elicited by different institutions, not as differences intrinsic to the persons who manifest them. In this sense, our work builds on an implicit assumption of a universal human nature, common human needs, and aspirations. We have discovered in the various societies we studied that people are far more adaptable, flexible, and malleable than can be accounted for by theories that root differential outcomes in differential human capabilities. We have been impressed with how easily the skills required for moving from one segment to another are acquired by most people and how little constraining are intrinsic intelligence or initial values and orientations when economic expansion and social change make mobility possible. The same people who once worked in the unstable segment of industry and had poor work habits, little discipline, and low skills move into regular industrial work requiring disciplined, conscientious endeavor when possibilities open for such a shift.

These observations and our research in general are, of course, consistent with two different interpretations: that people are essentially blank blackboards on whom society writes whatever lessons it chooses, as well as the view that there is some fundamental human nature underlying all differences. But no matter which of these two views we adopt, we are obliged to renounce our previous beliefs about the limits of the possible in industrial society and about the range of trade-offs. Much of our pessimism about changing society depends on the belief that the pains of industrial society are a necessary price of its benefits. What is most problematic in this view are not the standards in terms of which we weigh costs and benefits but our beliefs about

the limits of the possible. In order to release both imagination and will from the constraints of false necessity, we need a vision of the diverse possibilities that can be realized within industrial societies. The variety of arrangements in existing industrial societies, which our essays display and analyze, cannot be used to define the directions in which our societies should move but only to suggest that alternatives and movement are possible.